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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C. BAE FEBRUARY 1948

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CONTENTS

SUMMARY

Prices of farm products are adjusting to the current prospects for improved food production abroad and anticipations for another year of heavy crop production at home. By mid-February, prices received by farmers declined 9 percent from the record in January and were near the level of mid-1947. The downward movement was widespread with the biggest drop occurring in food grains which fell 22 percent. Wholesale prices of foods were down about 6 percent from mid-January. Prices of most industrial goods were generally firm. However, lower prices for cotton, hides and oilseeds may be reflected later in lower prices of some nonfood commodities.

Basic demand factors for farm products are strong. Consumer incomes remain high. Industrial production continues near capacity although steel and automobile output was off slightly in January because of bad weather. Even if food production in Europe improves as now expected foreign requirements for U.S. foods are likely to remain large, although perhaps at a somewhat lower level than recently. Total U.S. exports also probably will be somewhat smaller than in 1947, even if the largest appropriation under Congressional consideration for the proposed European Recovery program is enacted.

If the abrupt decline in some commodity prices impairs business confidence, some of the forces responsible for the high activity last year, such as plant expansion and inventory accumulation, may diminish.

Commodity Highlights

Export demand for fruit, cotton and tobacco is down. The very strong demand for wheat has eased as export purchases for the 1947-48 marketing year near completion. Consumer demand for meat continues high. Demand for slaughter animals, however, is weakened somewhat by a declining rate of meat storage. Demand for milk and dairy products continues strong.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1946 Year	1946 Dec.	1947 Oct.	1947 Nov.	1947 Dec.	1948 Jan.
Industrial production 1/	1935-39						
Total	= 100	170	182	190	192	192	192
All manufactures	do.	177	190	197	199	198	199
Durable goods	do.	192	211	223	224	229	227
Nondurable goods	do.	165	174	176	179	173	176
Minerals	do.	134	137	155	155	156	155
Construction activity 1/	1935-39						
Contracts, total	= 100	267	268	321	336	343	
Contracts, residential	do.	350	350	417	400	395	
Wholesale prices 2/	1926 =						
All commodities	100	121	141	158	160	163	166
All commodities except farm and food	do.	110	125	140	142	146	148
Farm products	do.	149	168	190	188	197	199
Food	do.	131	160	178	178	178	180
Prices received and paid by farmers 3/	1910-14 = 100						
Prices received, all prod.	do.	233	264	289	287	301	307
Prices paid, int. & taxes	do.	193	212	239	241	245	251
Parity ratio	do.	121	125	121	119	123	122
Consumers' price 5/ 6/	1935-39						
Total	= 100	139	153	164	165	167	169
Food	do.	160	186	202	203	207	210
Nonfood	do.	128	135	143	144	145	
Income							
Nonagricultural payments 4/	Bil.dol.	157.9	167.3	180.6	182.3	183.9	
Income of industrial workers 3/	1935-39	270	305	335	342	355	
Factory payrolls 5/	= 100	284	326	364	367	380	
Weekly earnings of factory workers 5/							
All manufacturing	Dollars	43.73	46.96	51.00	51.31	52.51	
Durable goods	do.	46.48	49.77	54.69	54.99	56.17	
Nondurable goods	do.	41.01	44.24	47.20	47.47	48.67	
Employment							
Total civilian 7/	Millions	55.2	56.3	59.2	58.6	57.9	57.1
Nonagricultural 7/	do.	46.9	49.1	50.6	50.6	51.0	50.1
Agricultural 7/	do.	8.3	7.2	8.6	8.0	7.0	7.1
Government finance (Fed.) 8/	Mil.dol.						
Receipts, net	do.	3,457	4,107	2,390	2,743	4,246	4,275
Expenditures	do.	3,676	3,662	2,445	2,194	3,224	2,879

Annual data for the years 1929-46 appear on page 11 of the April 1947 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1946 are on average monthly basis.

OUTPUT AND EMPLOYMENT

Industrial production in January continued at the record peacetime levels of the preceding two months. The index for the month was 192 (1935-39 = 100), 3 points above a year earlier.

The index of durable goods production in January declined slightly to 227 from the December record of 229. Slight declines in steel and motor vehicle output resulted from temporary shutdowns due to bad weather. Production in virtually all other heavy industries remained at the December level.

Nondurable goods production increased in January to 176, 3 points higher than in December, 2 points below the peak reached in November 1947, and the same level as in January 1947. The increase primarily reflected the highest rate of activity in cotton textile mills since the spring of 1947, and an increased output in paperboard mills and printing establishments. Production of most other nondurables was maintained near the December rate.

Seasonal declines in both agricultural and nonagricultural employment brought total employment to 57.1 million persons in January, .8 million fewer than December but 1.4 million greater than a year ago. Unemployment at 2.1 million persons was .5 million greater than the record postwar low of 1.6 in December.

INCOME AND RELATED FACTORS

The seasonally adjusted annual rate of personal income rose sharply in December to 209.7 billion dollars, about 5 billion higher than November and 20 billion greater than December 1946.

Although virtually all types of payments shared in the increase from November, agricultural income, on an annual basis after seasonal adjustment, accounted for a large part of the gain. This was primarily due to higher prices for farm products. Prices of farm products rose further in January but declined sharply in February to a level below that of December.

Salary and wage payments, at a seasonally adjusted annual rate, were 127.4 billion dollars in December, 1 billion greater than November and almost 10 billion above a year earlier. The gain reflected a continued rise in wage rates, larger nonagricultural employment and a longer work week.

The dollar volume of sales at department stores in January, seasonally adjusted, was 7 percent above a year earlier but 7 percent below the record volume in December. The physical volume of sales in January probably was no greater than a year ago.

COMMODITY PRICES

After rising without pause for 3 months, the general commodity price level declined sharply in early February. This reflected a readjustment of prices of farm products and foods to prospects for improved food production abroad and anticipations for another year of large crops in this country. The Bureau of Labor Statistics index of wholesale prices, which increased 9 percent in the 6 months ending in January, declined 4 percent by the third week of February. Practically all of the decline was due to reductions of about 9 percent in prices of farm products and about 6 percent in foods. Prices of industrial commodities were generally firm and in some cases continued to advance. However, the declines in hides, cotton and oilseeds may be reflected later in lower prices of some manufactured commodities.

The index of prices received by farmers dropped to 279 in February (1910-14 = 100) from the record of 307 reached in January, a decline of 9 percent and one of the most abrupt ever recorded. Largest drops were 22 percent in food grains and 18 percent in feed grains and hay. Most other farm-product groups also were down from January. However, prices of farm products in February were still 6 percent above a year ago and about at the level of mid-1947.

Table 1.- Group index of prices received by farmers, February 1948 and comparisons
(August 1909-July 1914 = 100)

Group index	February 1947	January 1948	February 1948	Percent change from Feb. 1947	Percent change from Jan. 1948
Food grains	235	322	251	+ 7	- 22
Feed grains and hay	185	318	261	+ 41	- 18
Cotton	246	267	248	+ 1	- 7
Tobacco	390	377	374	- 4	- 1
Oil-bearing crops	334	377	333	1/	- 12
Fruit	203	135	136	- 33	+ 1
Truck crops	275	320	320	+ 16	0
All crops	245	284	257	+ 5	- 10
Meat animals	319	379	331	+ 4	- 13
Dairy products	270	313	307	+ 14	- 2
Poultry and eggs	192	231	218	+ 14	- 6
Livestock and prod.	278	328	300	+ 8	- 9
Crops and livestock	262	307	279	+ 6	- 9

1/ Less than one-half percent decline.

The index of prices paid by farmers, interest and taxes, declined 1 percent from the record of 251 (1910-14 = 100) in January to 248, primarily due to lower prices for feeds and foods. The index in February was 12 percent above February 1947. The parity ratio--ratio of prices received by farmers to prices paid, interest and taxes--declined to 112, 10 points below January and 7 points below February a year ago. The parity ratio in February was the lowest since November 1942.

The decline in wholesale food prices was reflected promptly in urban and rural retail prices of foods, which were down 3 to 4 percent in mid-February from the new high established in January. The BLS index of consumer prices of all commodities and services, which was 169 (1935-39=100) in January compared with 153 a year earlier declined slightly as a result of the decline in foods.

Plant Expansion and Inventory Accumulation

Large expenditures by business for new plant and equipment and for inventories are major forces contributing to the current high level of activity. During 1947, expenditures on new plant and equipment by U. S. business (excluding agriculture) totaled 15.7 billion dollars, 3 times those of 1939. Capital expenditures in the first quarter of 1948 are indicated to be somewhat lower than in the fourth quarter of 1947, but 30 percent higher than in the first three months of 1947. Inventory accumulation during 1947 amounted to about 2.3 billion dollars, almost 6 times that in 1939.

Activity in these sectors are particularly sensitive to changes in business confidence. The recent abrupt decline in some commodity prices may cause business men to reconsider their plans for further expenditures for plants and for inventories.

Financing of United States Exports

Large United States exports also were important to business expansion in 1947. The value of all goods and services exported from the United States in 1947 was 19.4 billion dollars, almost 5 times the 1935-39 average. Dollars for these exports were obtained from the following sources:

1. About 41 percent from the 8 billion dollars the United States paid for imports of goods and services.

2. About 30 percent from the 5.9 billion dollars loaned or granted by the U. S. Government to foreign countries.

3. About 22 percent from the 4.3 billion dollars received from the sale of gold to this country and from the liquidation of U. S. bank balances and other short-term dollar assets.

4. About 6 percent from the 1.2 billion dollars received by foreign countries from all other sources.

These data, with comparison for other periods are shown in table 2.

Table 2. -Sources of dollars used by foreign countries to finance total United States exports in specified periods

(Billions of dollars)

Calendar years	U.S. Exports of goods and services	U.S. imports of goods and services	Sources of dollars used by foreign countries to finance U.S. exports: Sale of gold and short-term capital by foreign countries (net)	U.S. Govt. foreign grants and long-term loans (net)	Other sources (net) 1/
	(1)	(2)	(3)	(4)	(5)
1919	10.8	5.9	(-) 0.2		5.1
1935-39 ann. av.	4.0	3.5	1.3		(-) 0.8
1946	15.3	7.1	1.8	5.4	1.0
1947 2/	19.4	8.0	4.3	5.9	1.2
1948 (estimated): With E.R.P.				3/ 7.6	

1/ Includes dollar loans by the International Bank and Monetary Fund for 1947. In all years, includes net movement in (a) foreign owned long-term assets in the U. S. (b) U. S. Government and private short-term capital abroad (c) U. S. private long-term capital abroad and (d) U. S. private remittances.
2/ Last quarter of 1947 is estimated.
3/ Includes an estimate of 4.1 billion dollars for European Recovery Program, as explained in text, plus an estimate of the utilization during 1948 of existing balances and expected appropriations for Export-Import Bank loans; Civilian relief in occupied areas; Interim aid; Greek-Turkish Aid; Post UNRRA aid; and other existing government aid programs.

In his budget message January 13, the President asked Congress to appropriate 6.8 billion dollars for the first 15 months of a European Recovery Program, April 1, 1948 to July 1, 1949. This included 200 million for the procurement of goods to be delivered after the end of the period. Thus 6.6 billion dollars was requested for the procurement of goods that would be exported in the first 15 months of the program. Of this, it was estimated that 4.1 billion dollars would be used to pay for U. S. goods and services to be exported in 1948. Most of the funds appropriated for the program would be made available to foreign countries in the form of U. S. Government foreign grants or long-term loans.

If the 4.1 billion dollars is appropriated and used in 1948 it is estimated that the total of United States Government foreign grants and long-term loans used in 1948 would be about 7.6 billion dollars (col. 4, table 2.). This would be 1.7 billion dollars or about 29 percent greater than the 5.9 billion used in 1947 and 2.2 billion or about 41 percent greater than in 1946.

But even with a European Recovery Program of this size, a small increase in U.S. imports in 1948 as foreign production recovers, and an increase in the foreign supply of dollars from certain other minor sources, foreign countries probably will spend fewer dollars to buy U.S. goods and services in 1948 than in 1947. The increases in the supply of dollars to foreign countries from the above sources are not expected to be as large as the decrease in the use by foreign countries of their gold and short-term capital in the United States.

FARM INCOME

Farmers received about 4.5 billion dollars from sales of farm products in the first two months of 1948, about 10 percent more than in the same two months of last year. Receipts from livestock and products were 2.8 billion dollars, and receipts from crops around 1.7 billion dollars. The relative gain over the first two months of 1947 was greater for livestock than for crops. Receipts from meat animals in January and February are estimated at 1.7 billion dollars, 15 percent more than last year, with highter prices accounting for most of the gain. Poultry and eggs also made substantial gains because of higher prices. Dairy products were up a little, reflecting slightly higher prices. Larger marketings of wheat from the record 1947 crop, with prices averaging about one-fourth above last year, resulted in a gain over 1947 of around 60 percent in cash receipts from food grains Smaller increases were shown by oil-bearing crops, vegetables, and cotton.

Cash receipts from farm marketings in February are estimated at 2 billion dollars, 20 percent below January. Livestock and products were around 1.3 billion dollars, 15 percent less than January, and crops 0.7 billion dollars, 30 percent less. Some decline from January usually occurs in February because of the shorter month, but the decrease this year was greater than usual because of recent price declines. However, total cash receipts were almost 10 percent higher than February 1947, with livestock accounting for most of the gain. The decline from January was due mainly to decreases in receipts from meat animals, food grains, cotton, and tobacco.

LIVESTOCK AND MEAT

Prices of livestock and meat, along with those of many other farm products, broke in late January and early February. However, they dropped less than grains and fats and oils. Before the decline began, livestock and meat prices had advanced steadily for nearly two months and in mid-January were generally the highest ever reached.

During the week ending February 21, prices of barrows and gilts at Chicago averaged $22.49. This was 18 percent less than the January peak, 23 percent less than the record of $29.39 for the week of October 11, last year and lower than any weekly average since May 1947. In the same week prices of good and choice slaughter lambs were about 15 percent lower than the record of early January. Prices of good grade steers had dropped 14 percent since reaching their top price

a month earlier and prices of medium and common grade steers had fallen 9 to 10 percent. The price changes in January do not reflect changes in slaughter. Slaughter of cattle and calves were large in both December and January. Hog slaughter in January, as reported under Federal Inspection, was 16 percent smaller than in December and 11 percent smaller than in January 1947. Inspected slaughter of sheep and lambs in January was 7 percent less than in December and 13 percent less than a year earlier.

Demand for slaughter animals, however, was weakened somewhat by a declining rate of meat storage. Meat moved into storage very fast in December, but less rapidly in January. Stocks in commercial cold storage on January 1 were 55 percent larger than on January 1, 1947 and the largest for that date since 1944. Stocks in February totaled 1,010 million pounds, 38 percent above the same time last year.

In view of prospects that meat slaughter will decline a little more than usual this spring and summer, the general level of livestock and meat prices will depend mainly on trends in business activity and consumer incomes. If consumer incomes do not decline, prices of meat animals are expected to hold at about the 1947 average and to rise above that average when meat supplies are smallest. On the other hand if business activity declines and incomes drop, prices of meats and meat animals would probably continue downward.

DAIRY PRODUCTS

Prices of milk and dairy products are slightly higher than in February 1947 because of strong demand, lower storage stocks and a smaller milk output than a year ago. Although there will be seasonal declines, prices of most items are likely to continue higher than a year earlier, at least through mid-year.

Prices of milk and manufactured dairy products, except butter, remained steady from mid-January to mid-February in contrast to sharp declines for grains and some other commodities. The drop in butter prices during the first half of February was only moderately greater than the decline in the first half of January. Prices advanced rather sharply in the last week of January. In mid-February, wholesale butter prices were 10 cents per pound (15 percent) higher than in mid-February 1947. Prices of milk for fluid use were 7 percent higher than in February 1947. February prices of other manufactured dairy products ranged from 6 to 50 percent higher than a year earlier.

In recent months, production of all major manufactured dairy products has been less than a year earlier. This reflects a smaller output of milk on farms and about as heavy fluid milk and cream consumption. Milk production in January was down 6 percent from a year earlier, a result of unfavorable weather as well as unfavorable relations between dairy and feed prices. If average weather prevails, the percentage decline in total milk output in first half of the year will not be as great as in January.

The way in which consumers divided their expenditures among foods in 1947 was considerably different from prewar. Of particular significance to dairymen is the fact that in recent years expenditures for meat increased more than those for most dairy products, particularly for butter. Farmers in the West North Central States adjusted toward this new situation by reducing the number of cows 7 percent from 1940 to 1947 while increasing output of other livestock, especially hogs.

POULTRY AND EGGS

Egg prices declined sharply and more than seasonally during January. However prices stabilized in early February and in some instances wholesale quotations increased during the month.

Farmers' prices for eggs are likely to continue near support levels (90 percent of parity), but probably will average at least as high as prices received during 1947. In mid-February, prices received by farmers for eggs were 45.0 cents per dozen, 92 percent of parity.

Chicken and turkey prices have changed little the past two months. Supplies of turkey available during the "off-season" (February through September will be substantially below last year. Chicken meat supplies, on the other hand, will be about as large. Prices of both chicken and turkey may increase somewhat from the present levels.

Farmers are likely to raise moderately fewer baby chicks and substantially less turkey poults in 1948 than in 1947. A limiting factor to turkey production this year will be the lack of hatching eggs. Total number of breeder hens on farms January 1, 1948 was 2.8 million, one-third below last year and the lowest on record.

FATS, OILS, AND OILSEEDS

The index number of wholesale prices of 26 major fats and oils (butter excluded) in February was about 255 (1935-39=100) compared with 315 in January and an average of 285 for the year 1947.

Wholesale prices of edible fats and oils other than butter and prices of soap fats declined 20 to 30 percent from January to February. Wholesale prices of drying oils declined 5 to 10 percent. Wholesale prices of butter declined 3 percent. February average prices per pound of leading items were: Lard, tankcar lots, Chicago, 20 cents compared with 26.0 cents in January; cottonseed oil, crude, Southeast mills, 22 cents per pound compared with 28.0 cents a month earlier; soybean oil, crude, Midwest mills, 19 cents per pound compared with 27 cents in January; inedible tallow, prime, Chicago, 19 cents per pound, down 6 cents from January; linseed oil, raw, tankcars, Minneapolis, 29 cents per pound compared with 32 cents in January; butter, 92-score, Chicago, 81 cents, down 3 cents from January.

On the basis of tentative international import and export allocations announced in early February and with allowance for trade in fats not under allocation, net imports of fats, oils, and oil equivalent of oilseeds, margarine, shortening, and soap into the United States in 1948 may be about 300 million pounds compared with about 450 million pounds in 1947. Production of animal fats in the United States in 1948 will be moderately less than in 1947, largely as a result of the reduced 1947 corn crop and a substantial decrease in the number of cattle on farms January 1, 1948 compared with a year earlier. Output of linseed oil in the first half of 1948 will be substantially larger than a year earlier. Production of the vegetable oils used mainly for food will be about the same as a year earlier. Output of vegetable oils from domestic materials in the latter half of 1948 will depend mainly on the size of the cotton, soybean and flaxseed crops. Acreage goals for these crops in 1948 are approximately the same as the 1947 acreages.

CORN AND OTHER FEEDS

By the middle of February, prices of feed grains had fallen about 20 percent from the record of a month earlier but were still about one-half higher than in February last year. Prices of most of the byproduct feeds also dropped sharply in the last month. Because feed prices fell more, on the whole, than prices of livestock and livestock products, there was some improvement in livestock-feed price ratios.

Recent factors influencing the feed situation include an increase in market receipts of corn, improved prospects for 1948 winter wheat production in this country and abroad, and some reduction in the general level of livestock prices. Otherwise, the situation continues to be influenced by a demand for feed for livestock production only moderately smaller than a year earlier, by relatively high livestock prices, and unusually small feed grain supplies. Although prices of feed grains in the next few months will be unusually sensitive to prospects for 1948 crops here and abroad as well as to changes in demand for livestock products, they are expected to average somewhat higher this spring than a year earlier.

Stocks of corn, oats and barley on January 1 totaled 61.0 million tons. This was one-fourth less than on January 1 last year. Since there were only 4 percent fewer grain-consuming animal units on farms this January than last, grain stocks per animal unit were 22 percent smaller. Stocks per unit were 14 percent below the 1938-42 average.

Even though stocks on hand were one-fourth less, it is likely that the quantity of feed grains fed to livestock in January through June will drop only about 15 percent from the very heavy feeding last year. Consequently, stocks will be much smaller at the end of the feeding season this year than last--smaller, in fact, than any year since 1937. More than last year's 86 million bushels of wheat will probably be fed during the six months. Less byproduct feeds are expected to be available for feeding this year than the record quantity in the first half of 1947.

Exports of feed grains, heavy in the first six months of 1947, are likely to be very small this year.

Market receipts of corn during November-January were only a little over half as large as the heavy receipts in those months of 1946-47. In the last half of January and in early February, receipts increased somewhat from the low December level, but they remained much smaller than a year earlier. Throughout the rest of this marketing year, marketings of corn by farmers are expected to continue much smaller than last year's record.

Hay-consuming animal units on January 1 were 4 percent fewer than a year ago. January 1 stocks of hay per unit were 5 percent larger than a year earlier and the largest on record.

WHEAT

Wheat prices broke sharply on February 4. Through February 13 cash prices at Kansas City and Minneapolis dropped over 55 cents. This followed a decline of about 19 cents between January 16 and February 3.

Cash wheat prices at Kansas City and Minneapolis were about 6 cents higher on February 27 than on February 13. Among the factors which contributed to the slump are: (1) Prices had advanced too far in view of the large supply still remaining and the fact that export purchases were largely out of the way. (2) Carry-over is set by law at a minimum of 150 million bushels. (3) Feeding of wheat is lighter than expected. (4) Market receipts of corn were much larger than in December and early January. (5) Weather through January was favorable for the winter wheat crop in the U. S. (6) Marked improvement in crop prospects was reported for most importing countries.

Of the 795 million bushels on hand on January 1 about 245 million bushels are expected to be used for food and about 25 million for seed. Feed use is more difficult to estimate but probably will range between 125 and 175 million bushels. The Third Supplemental Appropriation Act of 1948 requires that the carry-over next July 1 be at least 150 million bushels. This would leave enough wheat to permit total exports for the year to between 450 million and 500 million bushels.

All but 73 million bushels of the wheat needed to fill an export program of 450 million bushels had been purchased by February 5. Additional wheat must be purchased before July 1, however, for export after that date, although some of it will come from the new crop.

Australia produced the largest wheat crop in its history this year. The latest official report set the crop at 228 million bushels, 112 million bushels larger than the poor crop of last year. Although the acreage seeded to wheat in Argentina is the smallest since 1904, the crop may be at least as large as the prewar 1935-39 average production of 222 million bushels.

The total area sown to winter grains in crops for harvest in 1948 probably was larger than in the past two years. In most areas, the drought of the past summer continued into the fall with only scattered rains. Since mid-November, however, rains over most of Europe promoted favorable crop development and mild weather enabled farmers to seed later than usual.

Precipitation in the Prairie Provinces of Canada in August-October, weighted on the basis of acreage, is reported at 141 percent of normal, and was fairly evenly distributed. Rains between harvest and the time the ground freezes are a valuable reserve for the next crop.

FRUIT

Prices for fruit in March and April probably will continue near those of early February, except that prices for oranges may increase slightly. Compared with early 1948, prices for fruit are lower mainly because of large citrus production, increased cold-storage stocks of apples and pears, and reduced export demand. Prices in early February remained about steady for grapefruit, lemons and pears, and rose slightly for oranges and apples despite sharp breaks in other commodities.

Terminal market auction prices for the large remaining supplies of oranges probably will rise less than seasonally through April. Seasonally increasing marketings of Valencia oranges, which usually bring higher prices, are expected to result in higher average prices this spring. Heavy demand for oranges for processsing continues to give strength to the market. Prices for grapefruit in March and April probably will continue near those of early February, because of large remaining supplies, reduced exports, and lack of increase in demand for processing.

Prices received by growers for apples and pears at terminal auction markets declined sharply in January because of larger than usual year-end stocks, deteriorated condition of some lots of apples, and severely reduced export demand. Prices recovered somewhat in Febaruary, but are not likely to rise much if any in later months, because stocks continue large for this time of year. To assist growers in marketing the remaining supplies, the Department in late January announced programs for buying limited quantities of apples and pears for School Lunch and Welfare purposes and for encouraging diversion of winter pears from normal trade channels.

With market supplies of strawberries much lower this winter than a year ago, mainly because of unfavorable growing conditions, prices on the New York City wholesale market continue considerably higher than last winter. Lower prices are expected in April when supplies become seasonably large.

To assist dried fruit producers in marketing their large 1947 output, the Department of Agriculture has purchased 203,000 tons this season, about one-third of production. Of this, 24,000 tons are being used in the School Lunch Program and the remainder is available for relief feeding abroad with some already having been shipped.

TRUCK CROPS

For Fresh Market

Prices farmers will receive for most truck crops produced for fresh market are expected to fall faster than usual in late winter and early spring this year. Prices in April probably will average moderately lower than in April last year. Total commercial production for the winter season has been estimated to be 6 percent larger than a year earlier, but development of the crops has been delayed by the weather and shipments through January were sub-

stantially behind those of a year earlier. Winter market supplies of beets, cabbage, celery, cucumbers, escarole, and lettuce will be considerably larger than both last winter and the 10-year average for the winter season. On the other hand, supplies of eggplant, kale, green peas, and green peppers will be particularly short. As usual, the bulk of winter fresh vegetables will be supplied by cabbage, lettuce, celery, and carrots. Early estimates indicate that total commercial acreage for the spring market may be about the same as last year.

For Processing

Consumption of canned vegetables is expected to continue at a near record rate this winter. By the beginning of the 1948 pack year, stocks of most canned vegetables in the hands of packers and wholesale distributors probably will be smaller than a year earlier, and will not be burdensome for any important item except perhaps green peas. Total stocks of frozen vegetables are about one-fifth lower than a year earlier. It appears probable, therefore, that commercial canners and freezers of vegetables will pack slightly larger quantities of most vegetables than they did in 1947. Prices which farmers will receive under contract for vegetables produced for processing are expected to average near the high prices received last year. Prices received for production on uncontracted, open-market acreage will depend to a considerable extent upon the relative quantities produced for the fresh market next summer.

POTATOES AND SWEETPOTATOES

Prices farmers will receive for 1947-crop potatoes and sweetpotatoes in March and April are expected to be slightly higher than those received in January and February.

Stocks of potatoes and sweetpotatoes in storage January were considerably smaller than a year earlier. Prices received by farmers for sweetpotatoes in Louisiana and for potatoes in western States advanced moderately from mid-January to mid-February. Support is being given to potato prices through the Government program of moving substantial quantities into export markets.

Acreage of early commercial potatoes intended for spring and summer harvest is estimated to be about 4 percent larger this year than last. However, most of the early commercial production will not be available before May. Although demand for certified seed potatoes is expected to be about as strong as a year earlier, prices may be somewhat lower because the 1947 crop was four percent larger than the previous record in 1946. Seed potatoes are shipped mostly in February, March and April.

Wholesale prices for sweetpotatoes at country shipping points and in terminal markets rose in lte January, and in early February generally were higher than in the same weeks a year earlier. The rise probably reflected the reduction in quantitiy shipped, as the number of cars shipped by rail and boat in early January averaged 30 to 40 cars per day, but only about 20 cars per day in late January.

COTTON

Cotton prices declined over 3 cents per pound during the first half of February. Although there was some decline in prices almost all trading days of the period, over half of the total decline occurred on Tuesday, February 10, when prices dropped the full limit of 2 cents per pound. The low prices to date were reached on February 13 when Middling 15/16" averaged 31.42 cents per pound in the ten spot markets, compared with 33.46 a week previous and 35.79 a month previous. The February 13 price was 2.1 cents below the parity equivalent of Middling 15/16" in the ten markets and only about 3-1/2 cents above the average loan rate. The average farm price dropped from 33.14 on January 15 to 30.71 on February 15.

Domestic mills consumed 860,000 bales in January compared with 753,000 bales in December and 950,000 bales in January 1947. At the end of January, total mill consumption totalled 4,637,000 bales for the first half of the 1947-48 season or about 11 percent less than for the same period 1946-47.

Spot market sales of 599,000 bales for January dropped from the record sales in the October-December period to slightly above the January 1947 sales.

Exports of raw cotton for the month of December amounted to 230,000 bales, making a total of 658,000 bales for the August-December period. Exports for the five-month period are 918,231 below the same period in 1946-47 season. Exports and domestic consumption for the five months are 1,404,000 bales below the same period last season.

TOBACCO

Because prices of many types of tobacco currently being sold were already close to support levels, there was little apparent reaction to the recent declines in commodity prices generally.

Most fire-cured and dark air-cured tobacco prices are higher than last year primarily because of the higher support level. The average loan rate is 20 percent above last year because of the increase in the index of prices paid by farmers for family living and production items. For Virginia fire-cured (type 21), auction prices for the season through most of February averaged 28.8 cents per pound compared to 29.3 cents for last season. Sales of Kentucky-Tennessee fire-cured (types 22-23) during January and early February were irregular because of adverse weather. The volume of dark tobacco types marketed through mid-February was far below that of the same period a year ago. Through most of February, auction prices of Eastern District (type 22) and Western District (type 23) averaged 30.9 and 27.2 cents per pound or 13 and 19 percent, respectively, above the same period last year. Auction prices of the dark air-cured (types 35-37) through most of February averaged 12 to 16 percent above the same period of the previous marketing season. Approximately two-fifths of the marketings of fire-cured and dark air-cured through mid-February had been placed under government loan.

Burley auctions have been completed. Prices declined in the closing weeks of the marketings, but for the season as a whole set a record of about 48 cents per pound--more than one-fifth higher than each of the previous two seasons. The 1948 national marketing quota for Burley was increased to 514 million pounds on February 26--40 million pounds above that previously announced. The total allotted acreage will be about one percent less than in 1947.

Prices of the cigar types are mixed. For domestic filler types, they are not greatly changed from last year. For binder types, some are slightly higher and other lower than last year. Connecticut wrapper is moderately higher than a year ago.

Cigar tax-paid withdrawals in January were 10 percent lower than the same month a year ago, which was the highest January since 1924. Cigarette production in 1947 hit a new peak of about 370 billion--5 percent above 1946. However tax-paid withdrawals in January were 27 billion compared with 28 billion last January.

Total tobacco exports continued below those of a year ago. During the last half of 1947, they were 25 percent lower than the same period of 1946. Flue-cured and Kentucky-Tennessee fire-cured exports were 30 and and 27 percent lower, respectively, while Burley was 30 percent above that of the last half of 1946. December figures show smaller quantities going to most of the Western European countries than in December 1946. These countries are among the important foreign customers for United States tobacco.

WOOL

Activity in the domestic wool market slowed down somewhat following the break in commodity markets. Prices of wool top futures and distant raw wool futures declined moderately, but spot prices were generally unaffected through the second week of February.

Early contracting of the 1948 clip of fine wools has begun on a small scale. Prices in early February were 46 to 48 cents a pound, grease basis f.o.b. in Western States and 50 cents in Texas. This is the first year since 1943 that the wool price situation has stimulated early contracting of domestic wools. Demand for average and good combing fine and one-half blood wools is strong and current market prices are higher than CCC purchase prices. As a result, most of these wools may be marketed outside the Commodity Credit Corporation Program this year.

Demand for medium grades (three-eighth blood and quarter-blood) increased at Boston in January and early February. Mills are now booking orders for fall fabrics, for which greater use of these grades is made. The CCC is offering large quantities of good quality medium grade wools from its stocks at prices which are below current duty-paid prices of comparable imported wool.

Demand for wool in foreign markets continued strong and prices for many grades advanced in January and early February. This was reflected in higher prices for imported wool at Boston.

Domestic mills used 520 million pounds of apparel wool, scoured basis, in 1947 (about 970 million pounds, grease basis). This was 16 percent less than the 1946 record of 620 million pounds and the smallest since 1941. But it was 85 percent larger than the 1935-39 average. Consumption in December was one-fifth smaller than in December a year ago. About 30 percent of the apparel wool (scoured basis) used in 1947 was domestic wool compared with 18 percent in 1946.

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